

(517) 487-5966  
FAX (517) 487-5213



# Michigan State AFL-CIO

419 Washington Square South, Suite 200 • Lansing, Michigan 48933-2138

MARK T. GAFFNEY, *President*

TINA ABBOTT, *Secretary-Treasurer*

**June 8, 2005**

**TO: Members of the House Banking and Financial Services Committee**  
**FROM: Ken Fletcher, Legislative Director**  
**RE: HB 4834 – “Payday Loan” Industry**

The Michigan State AFL-CIO is a federation of 46 labor unions with a combined active and retired membership of over one million workers.

We are opposed to House Bill 4834 which will allow payday lenders to exploit financially strapped consumers in their time of need by charging them excessive interest rates for small loans.

We have long held that payday lenders are covered by the Regulatory Loan Act and the Credit Reform Act and should be licensed and regulated like any other lender. The Financial Institutions Bureau made a declaratory ruling on April 25, 1995 that agrees with this position that these transactions are indeed loans and payday lenders are subject to these acts.

However, we understand this is unlikely to happen, so we do support enacting legislation to license and regulate the fast growing payday loan industry. That is why we support HB 4474, introduced by Representative Steve Tobocman, which we believe is a much more consumer friendly piece of legislation.

House Bill 4474 would allow payday lenders to charge a service fee of 10%, plus up to \$5.00 for loan verification. We believe that this would provide a fair rate of return for the payday lending industry while protecting consumers from excessive interest rates. In addition, the 10% fee would be the same rate that can be charged by credit unions for similar transactions.

HB 4474 also allows a person injured by a payday lender who violates the acts to be able to sue the lender to recover actual damages and an amount equal to twice the service fee plus reasonable attorney fees. A consumer who has been ripped off by an unscrupulous payday lender should be able to get their money back. It isn't enough just to fine the payday lender or to take away their license, they must be forced to make restitution to their victims.

For these reasons, we ask you to vote “NO” on HB 4834 and take up HB 4474 which is a much better bill to license and regulate the payday loan industry in Michigan.

Thank you.